

Initial Statement of Reasons:

Accounting and Financial Reporting Requirements for Cardrooms

The California Gambling Control Commission (“Commission”) is authorized to adopt regulations governing the operation of cardrooms (or “gambling establishments”) in California. See, for example, Business and Professions Code section 19840. In addition, the Commission is mandated to adopt regulations on specified subjects, notably in Business and Professions Code section 19841.

Regulations concerning accounting and financial reporting requirements for cardrooms have been prepared in compliance with subdivisions (h), (j), (k), (l), and (m) of Business and Professions Code section 19841, which mandate adoption of regulations on these subjects.

Section 12400 contains definitions, which are needed in order to define key terms of the regulations. Three key definitions place all licensed cardrooms in one of three categories, depending upon gross revenue. These categories are needed to comply with Business and Professions Code section 19840, which directs that regulations take into account the differences between large and small establishments.

Section 12401, in compliance with Business and Professions Code section 19841(h), provides that complete accounting records must be maintained and must provide adequate support for the revenue reported in renewal applications.

Section 12402, in compliance with Business and Professions Code section 19841(h), (k), and (l), requires uniformity in the chart of accounts, approval of the chart of accounts by the Commission, and maintenance of a general ledger. The requirements are needed so that detailed and reliable records are maintained.

Section 12403 requires preparation of standardized financial statements, suggested by Business and Professions Code section 19841(n), which mandates audits of financial statements. Requirements vary, depending upon the gross revenue of the establishment.

Section 12404 restates existing requirements concerning filing of currency transaction reports, and mandates that copies of these reports be sent to the Division of Gambling Control in the California Department of Justice. Such reports need to be sent to the Division of Gambling Control pursuant to Business and Professions Code section 19841(h), and in order to assist in the detection of money laundering.

Section 12405 requires that records be retained for seven years in California, and made available upon request to the Division or Commission. Records must be retained for seven years because the State may need to inspect records in connection with an investigation into past conduct. Records must be kept in California so that State representatives may have ready access to them. Licensees are required to provide copies of records to the State so that the records may be reviewed.

Section 12406 requires that records must be made and maintained in English. This requirement is proposed so that State representatives may easily review records.